ADVISOR BLOG | MAY 2022

Healthcare Employee Retention, Recruitment, and Pay: A Perfect Storm

It's been well known for years among healthcare compensation consultants that nonprofit health systems and hospitals have traditionally positioned executive and employee compensation levels conservatively against market-competitive rates for similar roles, including those providing direct patient care. Now amid an ongoing pandemic and rising inflation, about 20 percent of US healthcare workers have left medicine since February 2020, according to Becker's Hospital Review (2/11/22). In other words, nearly half a million people in the industry have resigned their positions.

How, exactly, do healthcare provider organizations plan on retaining those workers still on the job while effectively recruiting quality candidates to replace the 20 percent that have moved on? A good start would be paying the positions what they're worth in the market.

Pearl Meyer conducts an annual survey on employers' pay budget expectations. While companies indicated a "low three percent" pay projection for 2022 through the summer of 2021, the same question was asked again at the end of November and the overall pay budget forecast had increased to 4.2 percent. Among the 50 percent of employers participating in the Pearl Meyer survey that said they would be increasing pay budgets, the average reported base rate increase was up to 5.2 percent. Twenty-five percent of these companies said they are planning to give pay increases greater than six percent.

Convincing health system leaders to follow this trend may be a challenge. For decades, most healthcare workers have come to the industry and stayed, driven by their desire to help others and to save and improve peoples' lives. In contrast to many other industries, healthcare workers' expectations for individual compensation have come in second or third to their work and to their mission. In more recent years, payer reimbursements and other revenue streams have diminished, while the need for capital to invest in technology, strategic partnerships, and added services has grown. Most providers have reallocated their spending accordingly, quite often by moving money away from human capital investments to those initiatives deemed more strategic.

US employers of all stripes are trying to attract Millennials and Gen Z to stave off attrition and grow their enterprise. There's plenty of research indicating that as employment candidates, these generations often value career growth opportunity and societal impact, not just compensation, when considering job market opportunities. To the extent that other industries are beginning to understand this *and* are providing increasing compensation, healthcare providers are further disadvantaged to compete. Health systems and hospitals will need to double efforts to connect with candidates as people, with their own goals and aspirations. Additionally, and without fail, they will need to deliver on the dollar by providing extremely competitive, market-level starting rates and ongoing levels of pay. For some period of time, in order to deliver on both mission and business strategy, capital may need to be reallocated back to humans.

About Pearl Meyer

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